



HONOLULU AUTHORITY for RAPID TRANSPORTATION

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IN REPLY REFER TO:
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2016 OCT 13 AM 10:15

October 12, 2016

The Honorable Ernest Y. Martin, Chair
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

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Dear Chair Martin and Councilmembers:

Subject: Request and Issuance of Debt Financing for the Honolulu Authority for Rapid
Transportation (HART)

I am writing as a courtesy to inform you that HART is in the process of requesting issuance of debt financing in the form of Tax Exempt Commercial Paper (TECP) for \$20,000,000.00 very shortly in order to meet our cash flow and management need.

For your information, I have included a copy of the request to draw on the City's General Obligation TECP to continue funding operations of HART which have been transmitted to the Department of Budget and Fiscal Services (BFS).

What follows is a summary of the debt financing process that HART and BFS plan on following regarding the issuance of debt financing for the project now and going forward:

Overview of the TECP Process

- HART to determine the need to draw on the TECP based on fund balance, cash flow, and MOU requirements.
- HART submits a draw request letter to BFS, which includes an amount that is requested to be drawn on the TECP.
- After the TECP is drawn, the proceeds are received and deposited into the City's General Improvement Bond Fund by the City. A transfer of these funds will then be deposited into the Transit Fund to allow HART the ability to use those funds.
- Resolution 15-314, authorizes HART to draw on the TECP up to \$350,000,000.00.
- As the TECP outstanding amount increases, it may need to be refunded through a General Obligation bond issue, which requires City Council approval, similar to any other General Obligation bond issue.
- HART reimbursement of the costs related to the debt service will be in accordance with the MOU that was executed between the City and HART.


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The Honorable Ernest Y. Martin, Chair
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If you have any questions regarding this matter, please do not hesitate to contact me at 768-6146 or Diane Arakaki, Chief Financial Officer, at 768-6156.

Very truly yours,

A handwritten signature in black ink, appearing to be 'M. Formby', with a stylized flourish at the end.

 Michael D. Formby
Acting Executive Director

Attachment

cc: HART Board Members
Mr. Roy K. Amemiya, Jr., Managing Director
Officer of the City Clerk

Honolulu Authority for Rapid Transportation, Honolulu, Hawaii
Request Pursuant to Memorandum of Understanding Referred to Herein
Commercial Paper Notes, Subissue B-1 & Subissue B-2

No. _____ 002 _____

1. The Honolulu Authority for Rapid Transportation of Honolulu, Hawaii ("HART") hereby requests the City and County of Honolulu, Hawaii (the "City"), in accordance with the Memorandum of Understanding dated May 7, 2015 between HART and the City, and all amendments and supplements hereto and hereafter executed by HART and the City (the "MOU"), to draw the following amount of funds from the City's General Obligation Tax Exempt Commercial Paper Program (the "TECP") on the following date and transfer/deposit these funds to the special transit fund (the "Transit Fund") established pursuant to Article XVII, Section 17-114 of the Revised Charter of the City and County of Honolulu 1973, as amended ("Charter" or "RCH"). The General Obligation Commercial Paper Notes are described in Schedule I hereto, bearing such dates and in such amount, at such interest rates and maturing on such dates as are set forth in such Schedule I.

Amount of Draw: _____ \$20,000,000 _____

Date of Request __ October 6, 2016

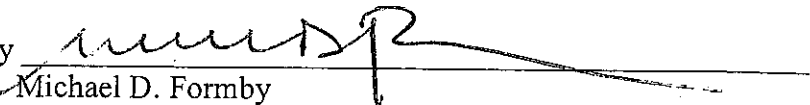
2. HART hereby represents and warrants that: (i) no Events (as defined in the MOU) exist under the MOU; (ii) HART has performed all of the covenants and agreements that it is required to have performed and to have continuously complied with under the MOU and any related agreements, such as the Certificate of HART; (iii) this request and delivery of TECP proceeds have been duly authorized by HART; and (iv) immediately after the issuance and delivery of such Commercial Paper for the draw amount and giving effect to any intermediate application of the proceeds thereof to the payment of the Commercial Paper outstanding will be indicated opposite Item 1 on Schedule I, and the Stated Amount under the Credit Agreement at such times will be indicated opposite Item 2 on Schedule I. Item 3 on Schedule I indicates the respective amounts of the proceeds of sale of the Commercial Paper which are to be deposited into the Subissue B-1 Principal Account or Subissue B-2 Principal Account, respectively, or transferred to the City for deposit into the Transit Fund.

3 HART acknowledges that the City, as it deems appropriate, will be issuing long term General Obligation Bonds, as permanent funding, to replace the outstanding short term Commercial Paper under the TECP program which issuance and draws were authorized by HART.

4. Unless otherwise defined herein, the terms used in this Request have the respective meanings given to such terms in the MOU. The terms used in the attached Schedule I have the meanings given to such terms in the Certificate of the Director of Budget and Fiscal Services of the City dated as of December 23, 2015, and all amendments and supplements hereto hereafter executed by the Director pursuant to the terms hereof.

IN WITNESS WHEREOF the undersigned has executed this Request as of this date:

HONOLULU AUTHORITY FOR RAPID TRANSPORTATION

By 
Michael D. Formby
Acting Executive Director

16-01898/486155

Honolulu Authority for Rapid Transportation, Honolulu, Hawaii, Request Pursuant to
Memorandum of Understanding Referred to Herein, Commercial Paper Notes, Subissue B-1 &
Subissue B-2

06/15/16

SCHEDULE I

TERMS OF COMMERCIAL PAPER, SUBISSUE B-1

<u>Note Number</u>	<u>Direct Participant</u>	<u>Principal Amount</u>	<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
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Purchase price of all Notes: 100% of the principal amount thereof.

<u>Item No.</u>	<u>Descriptions</u>	<u>Amount</u>
1	Principal Amount of Commercial Paper Outstanding Under Authorizing Certificate	\$
2	Stated Amount Under Credit Agreement	\$
3	Application of Proceeds:	
	Amount to be deposited to Subissue B-1 Principal Account	\$
	Amount to be transferred to City and County	\$

The terms used in this Schedule I have the respective meanings given to such terms in the Certificate of the Director of Budget and Fiscal Services of the City and County of Honolulu, Hawaii, dated as of December 23, 2015, and all amendments and supplements hereto hereafter executed by the Director pursuant to the terms hereof.

06/15/16

SCHEDULE I

TERMS OF COMMERCIAL PAPER, SUBISSUE B-2

<u>Note Number</u>	<u>Direct Participant</u>	<u>Principal Amount</u>	<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
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Purchase price of all Notes: 100% of the principal amount thereof.

<u>Item No.</u>	<u>Descriptions</u>	<u>Amount</u>
1	Principal Amount of Commercial Paper Outstanding Under Authorizing Certificate	\$
2	Stated Amount Under Credit Agreement	\$
3	Application of Proceeds:	
	Amount to be deposited to Subissue B-2 Principal Account	\$
	Amount to be transferred to City and County	\$

The terms used in this Schedule I have the respective meanings given to such terms in the Certificate of the Director of Budget and Fiscal Services of the City and County of Honolulu, Hawaii, dated as of December 23, 2015, and all amendments and supplements hereto hereafter executed by the Director pursuant to the terms hereof.

06/15/16